



General Assembly

January Session, 2009

***Raised Bill No. 953***

LCO No. 3702

\*03702\_\_\_\_\_BA\_\*

Referred to Committee on Banks

Introduced by:  
(BA)

***AN ACT CONCERNING HEDGE FUNDS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2009*) (a) As used in this  
2 section:

3 (1) "Hedge fund" means any investment company, as defined in  
4 Section 3(a)(1) of the Investment Company Act of 1940, located in this  
5 state (A) that claims an exemption under Section 3(c)(1) or Section  
6 3(c)(7) of the Investment Company Act of 1940; (B) whose offering of  
7 securities is exempt under the private offering safe harbor criteria in  
8 Rule 506 of Regulation D of the Securities Act; and (C) that meets any  
9 other criteria as may be established by the Banking Commissioner in  
10 regulations adopted under subsection (f) of this section. A hedge fund  
11 is located in this state if such fund has an office in Connecticut where  
12 employees regularly conduct business on behalf of the hedge fund;

13 (2) "Institutional investor" means an investor other than an  
14 individual investor including, but not limited to, a bank, savings and  
15 loan association, registered broker, dealer, investment company,  
16 licensed small business investment company, corporation or any other

17 legal entity;

18 (3) "Investment assets" includes any security, real estate held for  
19 investment purposes, bank deposits, cash and cash equivalents,  
20 commodity interests held for investment purposes and such other  
21 forms of investment assets as may be established by the Banking  
22 Commissioner in regulations adopted under subsection (f) of this  
23 section;

24 (4) "Investor" means any holder of record of a class of equity  
25 security in a hedge fund;

26 (5) "Major litigation" means any legal proceeding in which the  
27 hedge fund is a party which if decided adversely against the hedge  
28 fund would require such fund to make material future expenditures or  
29 have a material adverse impact on the hedge fund's financial position;

30 (6) "Manager" means an individual located in this state who has  
31 direct and personal responsibility for the operation and management  
32 of a hedge fund; and

33 (7) "Material" means, with respect to future expenditures or adverse  
34 impact on the hedge fund's financial position, more than one per cent  
35 of the assets of the hedge fund.

36 (b) On or after January 1, 2011, no hedge fund shall consist of  
37 individual investors who, individually or jointly with a spouse, have  
38 less than two million five hundred thousand dollars in investment  
39 assets or institutional investors that have less than five million dollars  
40 in assets.

41 (c) The manager shall disclose to each investor or prospective  
42 investor in a hedge fund, not later than thirty days before any  
43 investment in the hedge fund, any financial or other interests the  
44 manager may have that conflict with or are likely to impair, the  
45 manager's duties and responsibilities to the fund or its investors.

46 (d) The manager shall disclose, in writing, to each investor in a  
 47 hedge fund (1) any material change in the investment strategy and  
 48 philosophy of the fund and the departure of any individual employed  
 49 by such fund who exercises significant control over the investment  
 50 strategy or operation of the fund, (2) the existence of any side letters  
 51 provided to investors in the fund, and (3) any major litigation  
 52 involving the fund or governmental investigation of the fund.

53 (e) On January 1, 2010, and annually thereafter, the manager shall  
 54 disclose, in writing, to each investor in a hedge fund (1) the fee  
 55 schedule to be paid by the hedge fund including, but not limited to,  
 56 management fees, brokerage fees and trading fees, and (2) a financial  
 57 statement indicating the investor's capital balance that has been  
 58 audited by an independent auditing firm.

59 (f) The Banking Commissioner may adopt regulations, in  
 60 accordance with chapter 54 of the general statutes, to implement the  
 61 provisions of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2009	New section

**Statement of Purpose:**

To specify reasonable regulations for all funds in the state.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*